Hogan Lovells US LLP
Columbia Square
555 Thirteenth Street, NW
Washington, DC 20004
T +1 202 637 5600
F +1 202 637 5910
www.hoganlovells.com

Trey Hanbury
Partner
T: 202.637.5534
trey.hanbury@hoganlovells.com

July 26, 2013

Ms. Marlene Dortch
Secretary
Federal Communications Commission
445 12th Street, S.W.
Room TW-A325
Washington, D.C. 20554

Re: ***Ex Parte Notice***

Expanding the Economic and Innovation Opportunities of Spectrum Through Incentive Auctions, GN Docket No. 12-268

Dear Ms. Dortch:

In its prior filings in this proceeding, T-Mobile has advocated for reasonable limits on the amount of spectrum any single bidder can obtain in the 600 MHz band forward auction equal to one-third of the spectrum below 1 GHz.[1] In response to concerns that limits on spectrum aggregation could suppress revenues in the auction, T-Mobile proposed a straightforward method to let the market determine the appropriate spectrum aggregation limit for the auction – the Dynamic Market Rule.[2]

The attached economic study, entitled *A Dynamic Market Rule for the Broadcast Incentive Auction: Ensuring Spectrum Limits Do Not Reduce Spectrum Clearance*, was prepared by Stanford economists Dr. Gregory Rosston and Dr. Andrzej Skrzypacz to explain the Dynamic Market Rule.[3] Under the Dynamic Market Rule, the Commission would first conduct the forward auction with a spectrum-aggregation limit in place. In the unlikely event that the initial run failed to raise sufficient revenue, the Commission would relax the spectrum limits one license at a time so that bidders who had been subject to the limits would be allowed to bid for the additional licenses. As a result of the

[1] *See, e.g.*, Reply Comments of T-Mobile USA, Inc., WT Docket No. 12-268, 39-50 (filed Mar. 12, 2013); Comments of T-Mobile USA, Inc., WT Docket No. 12-268, 23-35 (filed Jan. 25, 2013); Reply Comments of T-Mobile USA, Inc., WT Docket No. 12-269, 1-2 (filed Jan. 7, 2013); Comments of T-Mobile USA, Inc., WT Docket No. 12-269, 9 (filed Nov. 28, 2012).

[2] Notice of *Ex Parte* of T-Mobile USA, Inc., GN Docket No. 12-268 (filed June 21, 2013).

[3] Dr. Rosston is the Deputy Director of the Stanford Institute for Economic Policy Research, the Deputy Director of the Public Policy Program, and Professor of Economics (by courtesy) at Stanford University. Prior to joining Stanford, Dr. Rosston was Deputy Chief Economist at the FCC, where he helped to design and implement the first ever spectrum auctions in the United States. Since that time he has published dozens of articles in the field and is widely recognized as one of the foremost experts on spectrum auctions. Dr. Skrzypacz is the Theodore J. Kreps Professor of Economics at the Stanford Graduate School of Business and a Professor of Economics (by courtesy) at the Stanford School of Humanities and Sciences. He is a co-editor of the American Economic Review. His research focuses on auction theory, market design, and game theory. He has advised bidders in spectrum auctions in several countries.

new bids, revenues in the auction would increase until the revenue target is met or the spectrum limits have been completely removed in all areas. If the limits are completely removed and the revenue target still has not been met, the auction would resume as described in the Commission auction proposal with a lower clearing target and the spectrum limits re-introduced initially for the lower spectrum-clearing target.

As Drs. Rosston and Skrzypacz explain, the Dynamic Market Rule puts spectrum aggregation limits to a market test. By relying on actual bids rather than predictions of expected behavior, the Dynamic Market Rule allows the free market to determine if spectrum aggregation limits will raise sufficient revenues. In this way, the Dynamic Market Rule also removes any threat to auction revenues from such limits – if auction revenues will not support pro-competitive limits on spectrum aggregation, they will be removed entirely. Meanwhile, slowly relaxing the aggregation limits maximizes their pro-competitive effect because the limits are removed only as far as necessary to meet the revenue target. This feature minimizes the ability of incumbent carriers to stop rivals from purchasing spectrum and correspondingly increases the benefits to consumers resulting from robust competition.

The paper also makes clear that the Dynamic Market Rule can be incorporated into the Commission software used to manage the bidding and that the necessary calculations would be conducted entirely on the back-end without causing disruption or delay for the participants. From a bidder's perspective, bidding would proceed normally as the spectrum limits were slowly relaxed.

Consistent with section 1.1206 of the Commission's rules, please associate this letter with the above-referenced docket.

Respectfully submitted,

/s/ Trey Hanbury

Trey Hanbury
Counsel to T-Mobile USA, Inc.